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October 8, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA CONTRACT
REVIEW – A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Goodwill Industries of Southern California (Goodwill or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Goodwill, a non-profit organization to provide and operate the WIA Adult, Dislocated Worker and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 - 21 years old. Goodwill's offices are located in the First and Fifth Districts.

Goodwill is compensated on a cost reimbursement basis and had a contract for \$1,772,536 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether Goodwill complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services

outlined in their County contract. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Generally, Goodwill maintained sufficient internal controls over its business operations. However, Goodwill did not always comply with WIA and County contract requirements. For example, Goodwill did not:

- Notify CSS of two employees with criminal record history. Subsequent to our review, Goodwill notified CSS of the one employee with a criminal record history and terminated the other employee for not disclosing his/her criminal record history to the Agency. CSS reviewed the one employee's criminal record and determined that the employee could continue to work on the program.
- Meet all the FY 2008-09 third quarter planned performance outcomes for the WIA Youth and Dislocated Worker Programs.
- Provide or offer to provide mentoring and/or leadership services to six (60%) of the ten youths sampled. WIA Directive LACOD-WIAD08-13 requires all youth service providers to provide mentoring and/or leadership services such as training or counseling to each participant, depending on their needs.
- Maintain appropriate documentation in the participants' case files to support the program activities reported on the Job Training Automation System for three (15%) of the 20 adults and dislocated workers sampled.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Goodwill on June 5, 2009. In their attached response, Goodwill concurred with our findings and recommendations with one exception. Goodwill indicated that WIA Directive LACOD-WIAD08-16 does not state that leadership has to be one of the services discussed, offered or provided. Our finding related to WIA Directive LACOD-WIAD08-13 that states "all youth service providers are required to provide mentoring and/or leadership to each participant, depending on their needs as documented in their Individual Service Strategy (ISS) plans." We notified CSS with the results of our review.

We thank Goodwill for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

- c: William T Fujioka, Chief Executive Officer
- Cynthia D. Banks, Director, Community and Senior Services
- Douglas H. Barr, President and CEO, Goodwill Southern California
- Teri Kelsall, Vice President of Workforce & Career Development, Goodwill Southern California
- Morgan St. John, Chair, Goodwill Southern California
- Public Information Office
- Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
GOODWILL SOUTHERN CALIFORNIA
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Goodwill Southern California (Goodwill or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 30 (9%) (ten adults, ten dislocated workers and ten youths) of the 331 participants that received services from July 2008 through January 2009 for documentation to confirm their eligibility for WIA services.

Results

Goodwill maintained appropriate documentation to support the eligibility of the 30 participants sampled.

Recommendation

None.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Goodwill provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 30 (9%) participants that received services during July 2008 through January 2009.

Results

Youth

Goodwill did not provide or offer to provide leadership and/or mentorship services as required by WIA Directive, LACOD-WIAD08-13 to six (60%) of the ten participants

sampled. The Directive requires all youth service providers to provide mentoring and/or leadership services such as training or counseling to each participant, depending on their needs.

Adult and Dislocated Worker

Goodwill did not maintain appropriate documentation in the participants' case files to support the program activities reported on the Job Training Automation (JTA) System for three (15%) of the 20 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

In addition, Goodwill did not accurately report the participants' program activities, such as exits, into the JTA system as required by WIA Directive LACOD-WIAD08-20 for two (10%) of the 20 participants sampled. A similar finding was also noted during the prior year's monitoring review.

Recommendations

Goodwill management:

1. **Ensure that leadership and/or mentorship services are provided to all Youth participants.**
2. **Maintain appropriate documentation to support the program activities reported on the JTA system.**
3. **Ensure that staff accurately update the JTA system to reflect the participants' program activities.**

PERFORMANCE OUTCOME REVIEW

Objective

Determine whether Goodwill met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared Goodwill's Fiscal Year (FY) 2008-09 actual performance outcomes for the third quarter to the planned performance outcomes outlined in the County contract.

Results

Goodwill met all the FY 2008-09 third quarter planned performance outcomes for the WIA Adult Program. However, Goodwill did not meet all the FY 2008-09 third quarter planned performance outcomes for the WIA Youth and Dislocated Worker Programs. Specifically:

FY 2008-09 THIRD QUARTER PERFORMANCE OUTCOMES												
WIA PROGRAMS	Planned Enrollments	Actual Enrollments	% of Planned Enrollments	Planned Exits	Actual Exits	% of Planned Exits	Planned Training	Actual Training	% of Planned Training	Planned Placement	Actual Placement	% of Planned Placements
WIA YOUTH	MET PLANNED PERFORMANCE OUTCOMES			200	92	46%	MET PLANNED PERFORMANCE OUTCOMES			120	28	23%
WIA DISLOCATED WORKER	MET PLANNED PERFORMANCE OUTCOMES			MET PLANNED PERFORMANCE OUTCOMES			MET PLANNED PERFORMANCE OUTCOMES			21	14	67%

Recommendation

4. Goodwill management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for October 2008.

Results

Goodwill maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Goodwill's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and October 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Goodwill's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 34 non-payroll expenditure transactions billed by the Agency for July and October 2008, totaling \$27,887.

Results

Generally, Goodwill's expenditures were properly documented and accurately billed. However, Goodwill billed Community and Senior Services (CSS) for business cards purchased for a non-WIA employee. The total questioned cost was immaterial. However, Goodwill management should bill CSS for actual program expenditures.

Recommendation

5. Goodwill management bill CSS for actual program expenditures.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Goodwill maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Goodwill's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 27 items purchased with WIA funds.

Results

Goodwill used the equipment purchased with WIA funding for the WIA Programs. In addition, the items were appropriately safeguarded.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency obtained criminal record clearances, verified employability, and maintain current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Verification

We traced the payroll expenditures invoiced for 15 employees and eight participants totaling \$47,536 for October 2008 to the Agency's payroll records and time reports. We also interviewed one staff member and reviewed the personnel files for 15 employees assigned to the WIA Programs.

Results

Generally, Goodwill appropriately charged payroll expenditures to WIA Programs. However, Goodwill did not notify CSS of two employees with criminal record history as required by Section 27.2 of the County contract. Subsequent to our review, Goodwill notified CSS of the one employee with a criminal record history and terminated the other employee for not disclosing their criminal record history to the Agency as required by Goodwill's personnel policy. In addition, CSS reviewed the one employee's criminal record and determined that the employee could continue to work on the program. CSS and the Agency agreed that the offense was minor.

Goodwill also did not maintain copies of the employees' driver's licenses and/or proof of automobile insurance for two (13%) of 15 employees sampled.

Recommendations

Goodwill management:

6. Immediately notify CSS of any arrests and/or subsequent convictions of staff.
7. Ensure personnel files are maintained as required.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2007-08 final close-out invoices for the WIA Adult, Dislocated Worker and Youth programs reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred in June 2008.

Results

Goodwill's FY 2007-08 general ledgers reconciled to the Agency's final close-out invoices for FY 2007-08. However, Goodwill billed CSS for unsupported and non-WIA related expenditures. Specifically, Goodwill did not provide adequate documentation to support the total amount billed for the June 2008 graduation awards. In addition, based on the documentation provided, only 11 of the 24 graduating participants were enrolled in the WIA Youth Program. The total questioned cost was immaterial. However, Goodwill management should maintain adequate documentation and bill CSS for actual program expenditures.

Recommendations

Goodwill management:

Refer to Recommendation 5.

8. Maintain adequate documentation to support the expenditures.



TRANSFORMING LIVES THROUGH *the* POWER of WORK

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June 19, 2009

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Dear Ms. Watanabe:

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FOR COMPLETE LIST OF LOCATIONS,
PLEASE VISIT US ON THE WEB.

Thank you for your final draft report of the findings related to your department's program, fiscal and administrative review of the Goodwill Southern California ("Goodwill") WIA contracts with Community and Senior Services (CSS) in January 2009. We appreciate your effort to help us further improve our processes. We have included our responses to your recommendations below:

BOARD OF ADVISORS

JOHN FORSYTHE
HONORARY CHAIR

BILLED SERVICES/CLIENT VERIFICATION

Recommendations

BOARD OF DIRECTORS

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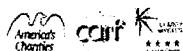
DOUGLAS H. BARR, MSW
PRESIDENT & CEO

Goodwill management:

1. Ensure that leadership and/or mentorship services are provided to all Youth participants.

Los Angeles County WIA Youth Directive **LACOD-WIAD08-16** states that WIA regulations require that a specific number of comments be included on the ISS and that included should be "an appropriate combination and sequence of services (the ten core elements) based upon the objective assessment". (Please see directive LACOD-WIAD08-16, Attachment A, page 2, part 4, bullet point 3)

The directive does not state that leadership, specifically, has to be one of the services discussed, offered or provided. The comment that "Goodwill did not complete the ISS plans..." is not an accurate statement. The ISS plans were completed per the directive. To be more accurate, evidence of leadership services was not found in the said number of files reviewed. This is a concern that Goodwill is addressing.



2. Maintain appropriate documentation to support the program activities reported on the JTA system.

Goodwill Directors and Managers will ensure the all receipts are signed by participants prior to requesting payment for supportive service expenditures. Goodwill presently gets customer signatures on the supportive service requisition paperwork, and will effective immediately require signatures on the accompanying receipts as well.

3. Ensure that staff accurately update the JTA system to reflect the participants' program activities.

Goodwill Directors and Managers perform quarterly program and MIS monitoring via roundtable reviews. We will expand our reviews to include verifying that all program activities are correctly and expeditiously noted on the JTA system and that all program outcomes are entered into MIS within 30 days of completion of program activity.

PERFORMANCE OUTCOME REVIEW

Recommendations

4. Goodwill management ensure that planned performance outcomes are met as required by the County contract.

Goodwill Directors and Managers monitor planned performance. Quarterly outcomes for all programs are on track for the end of the program year as required by the County contracts.

EXPENDITURES/PROCUREMENT

Recommendations

5. Goodwill management bill CSS for actual program expenditures.

Goodwill made an adjustment to the January 2009 billing to reimburse CSS for the questioned cost. The error noted was due to a department coding error. Goodwill has strengthened procedures by increasing our reviews prior to grant billings to ensure that actual program expenditures are billed to the contracts.

PAYROLL AND PERSONNEL

Recommendation

Goodwill management:

6. Immediately notify CSS of any arrests and/or subsequent convictions.

Goodwill agrees to notify CSS of any arrests and/or convictions discovered in the pre-hire background check.

7. Ensure personnel files are maintained as required.

The two employees in question terminated their employment before Goodwill's Human Resource department could obtain copies of their driver's licenses and proof of automobile insurance. The department has reviewed its documentation processes and has taken steps to verify that proof of driver's licenses and auto insurance are documented in the employee files.

CLOSE-OUT REVIEW

Recommendation

Goodwill management:


Refer to Recommendation 5.

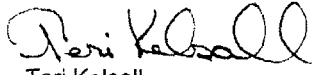
8. Maintain adequate documentation to support the expenditures.

Goodwill does maintain adequate documentation to support the expenditures and continually reviews policies and procedures to incorporate recommendations for improvement. The documentation supporting the amount billed for the June 2008 graduation awards included a list of the participants and attendees. The costs charged to the grant only related to the participants enrolled in the WIA Youth program. Goodwill will ensure that separate lists are maintained for these types of events and are included with payment requests to support program expenditures.

Thank you for all your help. Please feel free to contact Jessie Lemos, Grants and Contracts Manager or myself if you have any questions.

Sincerely,


Forrest Callahan
V.P., Finance & Administration


Teri Kelsall
V.P., Workforce & Career Development